



**Fiscal Services Division**  
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April 21, 2008

## **AGENDA ITEM 11**

### **TO: MEMBERS OF THE FINANCE COMMITTEE**

- I. SUBJECT:** Annual Report of Discharge of Accountability for Uncollectible Debt (Write-Off)
- II. PROGRAM(S):** Retirement
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

In October of 1994 and amended in October of 2000, the California Public Employees' Retirement System's Board of Administration (Board) adopted a resolution and policy authorizing the System to discharge uncollectible debts under the provisions of the California Constitution, Article XVI, Section 17 (see Attachment A). The policy directs the Fiscal Services Division (FCSD) to submit an annual report to the Finance Committee (Committee) detailing the number and dollar amount of all debts discharged during the year. This report covers the period from February 2007 to January 2008.

Furthermore, the policy statement requires Committee review and Board approval to discharge from accountability uncollectible debts greater than \$20,000 that do not involve statutes of limitation. This year no discharge debts met the criteria for Board approval.

After all feasible alternatives for collecting a debt are exhausted, discharge from accountability approval is sought based on the tiered approval process as required in the policy statement:

- |                                                        |                                                                       |
|--------------------------------------------------------|-----------------------------------------------------------------------|
| 1. Less than \$10,000 or beyond statutes of limitation | Approved by the Chief of the originating division                     |
| 2. Between \$10,000 and \$19,999                       | Approved by the Assistant Executive Officer of the originating branch |

3. \$20,000 or more

Reviewed by Finance Committee  
and approved by Board of  
Administration

The Uncollectible Debt Report (Attachment B), details current year and two prior years of uncollectible debts, categorized by "Reason for Overpayment" and "Reason for Discharge."

Approved for discharge from accountability are 102 uncollectible debts, totaling \$236,089 for the Retirement Program from February 2007 through January 2008.

The debts were the result of:

1) Payment Issued After Death due to Late Reporting (3)	\$	44,932
2) Service Credit Adjustments (7)	\$	29,044
3) Calculation Adjustment (17)	\$	156,332
4) Refund Errors (0)	\$	0
5) Miscellaneous (4)	\$	3,599
6) Various - Less than \$250 (71)	\$	<u>2,182</u>
Total	\$	<u>236,089</u>

Accounts receivables are discharged for the reasons shown on Attachment B. The majority of the items that are written off relate to: 1) overpayments to retired individuals who have died and 2) overpayments from balance adjustments which are no longer collectible due to the statute of limitations. A continuous effort is being made in the contribution data clean-up workload to ensure that valid data is being used in benefit adjustments. It is anticipated that the continued data cleansing and the associated benefit payment adjustments may ultimately result in more discharges from accountability.

In March 2008, CalPERS implemented the Enterprise Management of Billing, Accounts Receivable, and Collections (EMBARC) system to improve the identification, tracking, and collection procedures for accounts receivable throughout CalPERS. A primary project objective is to reduce the amount of receivables discharged from accountability through enhanced monitoring of aged receivables and dedicated centralized collection efforts. EMBARC will assist in providing a tool to track current accounts receivables and provide timely collection letters. For receivables that existed prior to EMBARC, a review will be needed to determine the nature of their disposition which could lead to more discharges from accountability.

In an effort to minimize the future number and amounts discharged from accountability, procedural changes and technological enhancements, where feasible, have been put into place to minimize or eliminate the source of some of the erroneous payments and debts created.

**V. STRATEGIC PLAN:**

This item is not a specific product of the Strategic or Annual Plans, but is part of the regular and ongoing workload of the Benefits Services, Employer and Member Health Services and Fiscal Services Divisions.

**VI. RESULTS/COSTS:**

Approved for discharge from accountability were 102 uncollectible debts totaling \$236,089.

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DIANE ALSUP, Assistant Chief  
Fiscal Services Division

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RUSSELL G. FONG, Chief  
Fiscal Services Division

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JOHN HIBER  
Assistant Executive Officer  
Administrative Services Branch

Attachments